

MINUTES OF THE
HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE
THURSDAY, FEBRUARY 3, 2005, 2:00 P.M.
Room W020, West Office Building, State Capitol Complex

Members Present: Sen. Greg Bell, Co-Chair
Rep. Kory M. Holdaway, Co-Chair
Sen. Peter Knudson
Sen. Dan Eastman
Sen. Carlene Walker
Sen. Ron Allen
Rep. David Clark
Rep. Bradley Daw
Rep. Margaret Dayton
Rep. Gregory H. Hughes
Rep. Susan Lawrence
Rep. Scott L. Wyatt
Rep. Patricia W. Jones
Rep. Carol Spackman Moss
Rep. LaWanna "Lou" Shurtliff

Members Absent: Rep. Sheryl Allen

Staff Present: Boyd A. Garriott, Senior Legislative Fiscal Analyst
Debra Headden, Legislative Fiscal Analyst
Rolayne Day, Secretary

Public Speakers Present: Commissioner Richard Kendell
Kevin Walthers, Assistant Commissioner, USHE
Scott Gutting, Energy Strategies, LLC & Etc. Group, Inc.
Mark Pace, Energy Strategies, LLC & Etc. Group, Inc.
Pres. Darrell White, UCAT
Dr. Michael Peterson, Executive Director UEN

A list of visitors and a copy of handouts are filed with the committee minutes.

Committee Co-Chair Bell called the meeting to order at 2:25 p.m.

1. Committee Business—Sen. Bell said the House Republican Caucus position of \$85 million for roads has ramifications. If that position stays, and depending upon what compensation package is chosen, \$120 million to \$127 million is already spent, and that would mean a \$3 million rollback of the Analysts' recommendations for higher education. The situation is still unsettled since the Senate has not yet taken a position. Rep. Clark said Medicaid and some of the other issues almost require funding. If higher education power and fuel bills, public education enrollment growth, a 2.5% salary increase, and medical and dental costs are added, available resources are gone. He noted that little time had been spent on reallocation of existing budgets. Sen. Bell said the Subcommittee should just move forward and commit to priorities since no final positions have been decided.

MOTION: Rep. Shurtliff moved to approve minutes of the January 31, 2005, meeting.

The motion passed unanimously with Reps. Holdaway, Hughes and Daws and Sens. Knudson, Eastman, and Allen absent for the vote.

The Subcommittee discussed various funding options. Rep. Jones said it would help if Subcommittee members advocated for higher education with their colleagues. Sen. Allen said \$85 million for highways may be too much this year and several who are looking at the bigger picture think it can be done with \$30 to \$35 million; he doesn't want to take money out of education for roads. Sen. Bell said there isn't much fat left in institutional budgets, so

if requests aren't met, tuition will probably increase. Analyst Debra Headden said base budgets are found on the last page of each institution's tab in the Budget Book; information for the entire system is found in Tab 5.

2. Fuel & Power—Fuel and Power Report—Ms. Headden said natural gas and electricity rates have increased significantly since 2001 (Tab 3, Issue Brief 5). The Legislature appropriated one-time funding of \$3.1 million and \$4.4 million respectively in 2001 and 2002. Although utility rates have gone up, consumption across the system has remained stable. Not funding fuel and power rate increases has forced higher education to internally reallocate from academic instruction. USHE requests \$15 million, and the Analyst recommends \$3 million for FY 2006. Analyst Boyd Garriott said a supplemental recommendation would cover the FY 2005 deficit.

Kevin Walthers, Assistant Commissioner, said presidents and vice presidents for business have reallocated for fuel and power mostly by not hiring needed faculty, not buying new computers, taking back money left in departments at the end of the year, increasing class sizes, etc. There is not much room left for reallocation at the two research institutions. Rep. Hughes said there is not enough money to meet back needs. Mr. Walthers said if they receive \$15 million, they won't bring it up again.

Scott Gutting, Energy Strategies, LLC & Etc. Group, Inc., said his firm was hired to do an independent study of the fuel/power increases and management of consumption at USHE institutions. They interviewed about thirty people at each institution and determined that the overall cost was about \$35 million. They also looked at a number of other requested issues to evaluate what might be used to mitigate those costs: the use of trust lands gas, state energy management, 3rd party natural gas supply management, discounted gas tariff, franchise fee exemption, and the state electricity tariff. Energy costs and findings from 1999–2000 to 2003–2004 show that the institutions are doing a good job of holding down usage even with increased enrollments. Total cost of the rate increases is \$26 million, savings created by managing energy is \$5 million, and the net cost of rate increases is \$21 million. The estimated FY 2006 utility cost is \$36 million, State funding for the E&G utility budget is \$21 million. State Energy Management found that more can be done, and Mr. Gutting briefly discussed the recommendations. The conclusion is that the USHE has done a good job of energy management.

Mr. Gutting said fuel and power will most likely increase 5 percent in the next year with similar increases for the next five years; higher education should assume \$2 million to \$3 million increases each year. Mark Pace, Energy Strategies, LLC & Etc. Group, Inc., said significant utility cost decreases can be realized with equipment investments. Cornell, for example, decreased energy bills by 30 percent and are still decreasing by 1 percent each year. He doesn't know what the top number is, but the minimum number could be \$1.5 million in the next two years. Mr. Gutting said a 1 percent reduction could also be realized if energy bills are audited. Sen. Allen asked if increased student loads and enrollments would impact energy costs. Mr. Gutting said it is difficult to deal with that issue, but in the last five years, they know anecdotally that buildings are being used more hours per day and that is part of the reason costs have gone up. Mr. Walthers said higher education isn't going to manage out of a \$15 million problem.

Commissioner Kendell said higher education requested a modest budget. The Analyst represented that \$237 million was available in one-time money and \$334 million in on-going for a total of over \$670 million. It isn't the *year* of the roads, it is the *decade* of the roads because roads won't be fully funded in one year. There is little likelihood that the economy will be robust enough to get past that figure as well as the other mandatory needs in Medicaid, etc.

The USHE has requested about \$53 million; the Analyst has recommended \$15 million with compensation on top of that. Rep. Holdaway said the only thing higher education has now is the base budget. Anything above that will have to be fought for. Commissioner Kendell said higher education's request is prioritized according to what will make the most impact at the campuses.

Rep. Wyatt said compensation should be at the top of the priority list. There is no asset greater than the people, and employees have gone several years without increasing salaries or adjusting benefits. The Legislature should send a message that these employees are valued and considered a top priority. Sen. Knudson said joint Majority Leadership has been meeting on salary and benefits and should have an answer on compensation soon.

Rep. Moss said if fuel and power isn't taken care of, programs will be cut. Rep. Hughes would like to add on-going money slowly in case the revenue source cannot be maintained. Rep. Shurtliff spoke in favor of funding for retention of key faculty. Commissioner Kendell said employees are the top resource; when quality experiences, programs or research is discussed, it really depends upon retaining the best people. Commissioner Kendell recommended that the Subcommittee appropriate the total allowed and ask for a report on how the money was spent.

Rep. Wyatt suggested determining the top priority by not fully funding fuel and power and telling the presidents to make their best decisions in scaling down programs. He would rather make a strategic decision to scale down than have it scaled down by default. Commissioner Kendell said they are very concerned about O&M, the second priority after compensation. It also affects everything across all campuses. By contrast, the Engineering Initiative affects the State, but only affects the Colleges of Engineering. The Regents' request is a good investment for the 210,000 people involved in higher education who will then go to work and better the economy. Commissioner Kendell noted that the New Century Scholarship is working, but if the State can't fund it, it should be pulled back.

MOTION: Rep. Holdaway moved to approve the base budget for FY 2006 for the Utah System of Higher Education with \$471,000,600 from the General Fund, \$108,865,500 from Income Tax, \$4,203,800 from federal funds, \$310,111,200 from dedicated credits, \$1,058,500 from dedicated credits-land grant management funds, \$796,000 from the mineral lease account, \$4,284,500 from the cigarette tax restricted account, \$4,000,000 from the tobacco settlement restricted account, and \$34,500 transfers—commission on criminal and juvenile justice—for a total of \$904,354,600 as illustrated in Tab 5, Budget Brief 1, page iv.

The motion passed unanimously with Rep. Clark absent for the vote.

MOTION: Rep. Dayton moved to approve the base budget for FY 2006 for the Utah College of Applied Technology with \$39,745,500 from General Funds and \$5,617,300 from dedicated credits for a total of \$45,362,800 as illustrated in Tab 16, Budget Brief 1, page iv.

The motion passed unanimously with Rep. Clark absent for the vote.

MOTION: Rep. Daw moved to approve the base budget for FY 2006 for the Utah Education Network with \$15,052,700 from General Funds, \$4,324,900 from federal funds, \$248,700 from dedicated credits and \$55,500 from transfers for a total of \$19,681,800 as illustrated in Tab 17, Budget Brief 1, page iv.

The motion passed unanimously with Rep. Clark absent for the vote.

MOTION: Sen. Allen moved to approve the base budget for FY 2006 for the Utah Medical Education Program with \$19,900 from General Funds and \$710,100 from dedicated credits for a total of \$730,000 as illustrated in Tab 18, Budget Brief 1, page ii.

The motion passed unanimously.

MOTION: Rep. Wyatt moved to approve the following: increase the mineral lease account at \$880,200 for the Water Research Lab at Utah State University (Tab 3, Issue Brief 1); allocate the FY 2005 appropriations for the Engineering and Computer Science Initiative to the institutions outlined in Tab 3, Issue Brief 2 as a supplemental for FY 2005 and as on-going for FY 2006; allocate the FY 2005 appropriations for the Nursing Initiative to the institutions outlined in Tab 3, Issue Brief 2 as a supplemental for FY 2005 and on-going for FY 2005; decrease the General Fund of the Education and General line item at Utah State University at \$1,112,700 and increase the General Funds at the Brigham City and Tooele Continuing Education Center line items at Utah State University at \$1,044,100 and \$68,600 respectively.

The motion passed unanimously.

Mr. Garriott discussed budget adjustments for FY 2006 including compensation. Rep. Jones said if fuel and power were fully funded, it would help mitigate the skewed student/state percentages for compensation, and institutions

wouldn't have to use second-tier tuition to make up the difference. The committee discussed various options, scenarios and preferences and asked questions.

MOTION: Rep. Wyatt moved to make the one-time funding of \$180,000 for the USU Climate Center on-going funding.

Discussion was heard from Reps. Holdaway, Wyatt and Daw.

Co-chair Bell ruled that the motion failed on a voice vote.

Sen. Eastman called for division on the vote. The motion passed in the Senate but tied in the House on a raise of hands, so Co-chair Bell declared the motion failed.

MOTION: Rep. Daw moved to place the institutional funding adjustment of \$5 million on the priority list.

Rep. Dayton spoke in favor of the motion.

The motion was withdrawn.

MOTION: Sen. Allen moved to adopt the State Board of Regents' request in priority order.

Sen. Allen said the request is very conservative. The Co-chairs would then present to the Executive Appropriations Committee that the request is acceptable and that the Higher Education Subcommittee support the presidents.

Sen. Knudson said Leadership wants the subcommittees to do their work and evaluate the relative value of programs. Once the subcommittees make their value assessments, the Executive Committee can do what they need to do. Sen. Bell said the Regents' budget isn't even close to reality and voting for the motion would turn over the Higher Education Subcommittee's work to Executive Appropriations.

The motion passed with Sens Knudson, Eastman, Walker and Allen and Reps. Lawrence, Wyatt, Jones, Moss, and Shurtliff voting aye and Sen. Bell and Reps. Holdaway, Daw, Dayton, and Hughes voting nay.

Mr. Garriott reviewed the recommendations and requests for UCAT. Pres. Darrell White clarified information and said the top priorities are compensation and the membership hour increase.

Mr. Garriott discussed the UEN recommendations and requests. Dr. Michael Peterson said the first priority is retention of staff, number two is conversion of one-time to on-going for technical support, number three is the two parts of network capacity and reliability in on-going and one-time pieces. Number four is the internet video based conferencing and number five is the learning management system (three pieces).

MOTION: Rep. Lawrence moved to cancel Monday's meeting.

Rep. Holdaway said not meeting would be irresponsible because the motion on the USHE budget will probably not hold. Further comments were heard from Rep. Lawrence and Sens. Bell and Walker. Sen. Bell said the Subcommittee needs to prioritize requests and provide co-chairs with information necessary to convincingly present higher education's needs to the Executive Committee.

SUBSTITUTE MOTION: Sen. Walker moved to adopt budget requests for the Utah College of Applied Technology and the Utah Education Network as presented in priority order.

Comments were heard from Sens. Walker and Bell, Rep. Holdaway, and Dr. Peterson.

The substitute motion passed unanimously with Sens. Knudson, Eastman, and Allen and Reps. Clark, Daw, Dayton, and Hughes absent for the vote.

MOTION: Rep. Jones moved to adopt the Utah Medical Education budget request in priority order.

The motion passed unanimously on voice vote with Reps. Clark, Daw, Dayton, and Hughes absent for the vote.

MOTION: Rep. Holdaway moved to adjourn.

Committee Co-Chair Bell adjourned the meeting at 5:02 p.m.

Minutes were reported by Rolayne Day, Secretary.

Sen. Greg Bell, Committee Co-Chair

Rep. Kory M. Holdaway, Committee Co-Chair